"Our Army at War – Relevant and Ready…Today and Tomorrow"

Army Contracting Study Update

Briefing to

Army Contingency Contracting Conference

By

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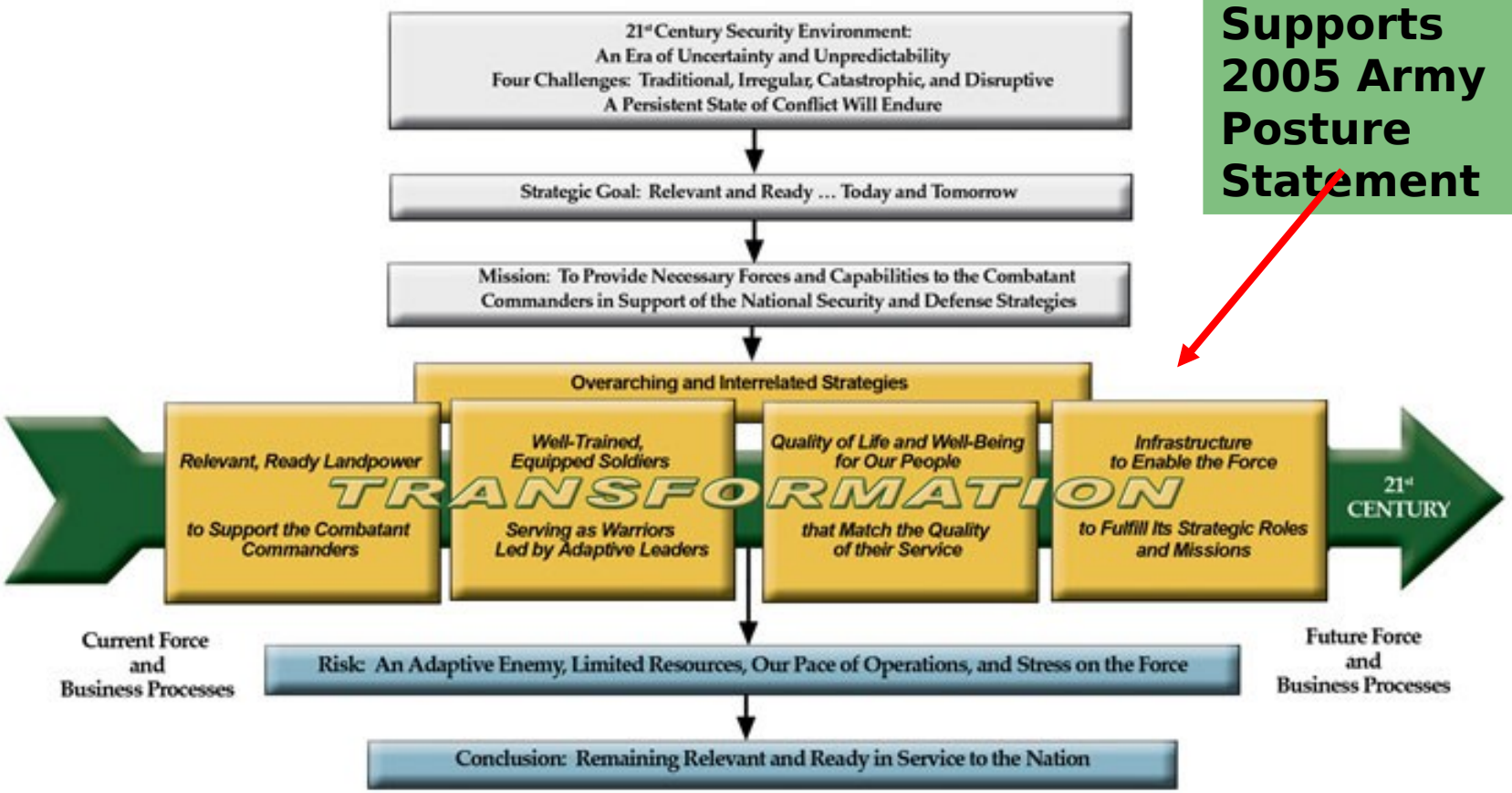
April 20, 2005

Why Army Contracting Study

Supports Army's Overarching Strategic Goal:
Relevant and Ready … Today and Tomorrow


21st Century Security Environment:
An Era of Uncertainty and Unpredictability
Four Challenges: Traditional, Irregular, Catastrophic, and Disruptive
A Persistent State of Conflict Will Endure
Strategic Goal: Relevant and Ready … Today and Tomorrow
Mission: To Provide Necessary Forces and Capabilities to the Combatant Commanders in Support of the National Security and Defense Strategies
Overarching and Interrelated Strategies
Relevant, Ready Landpower
to Support the Combatant Commanders
Well-Trained, Equipped Soldiers
Serving as Warriors Led by Adaptive Leaders
Quality of Life and Well-Being for Our People
that Match the Quality of their Service
Infrastructure to Enable the Force
to Fulfill Its Strategic Roles and Missions
TRANSFORMATION
21st CENTURY
Current Force and Business Processes
Risk: An Adaptive Enemy, Limited Resources, Our Pace of Operations, and Stress on the Force
Future Force and Business Processes
Conclusion: Remaining Relevant and Ready in Service to the Nation

Supports 2005 Army Posture Statement

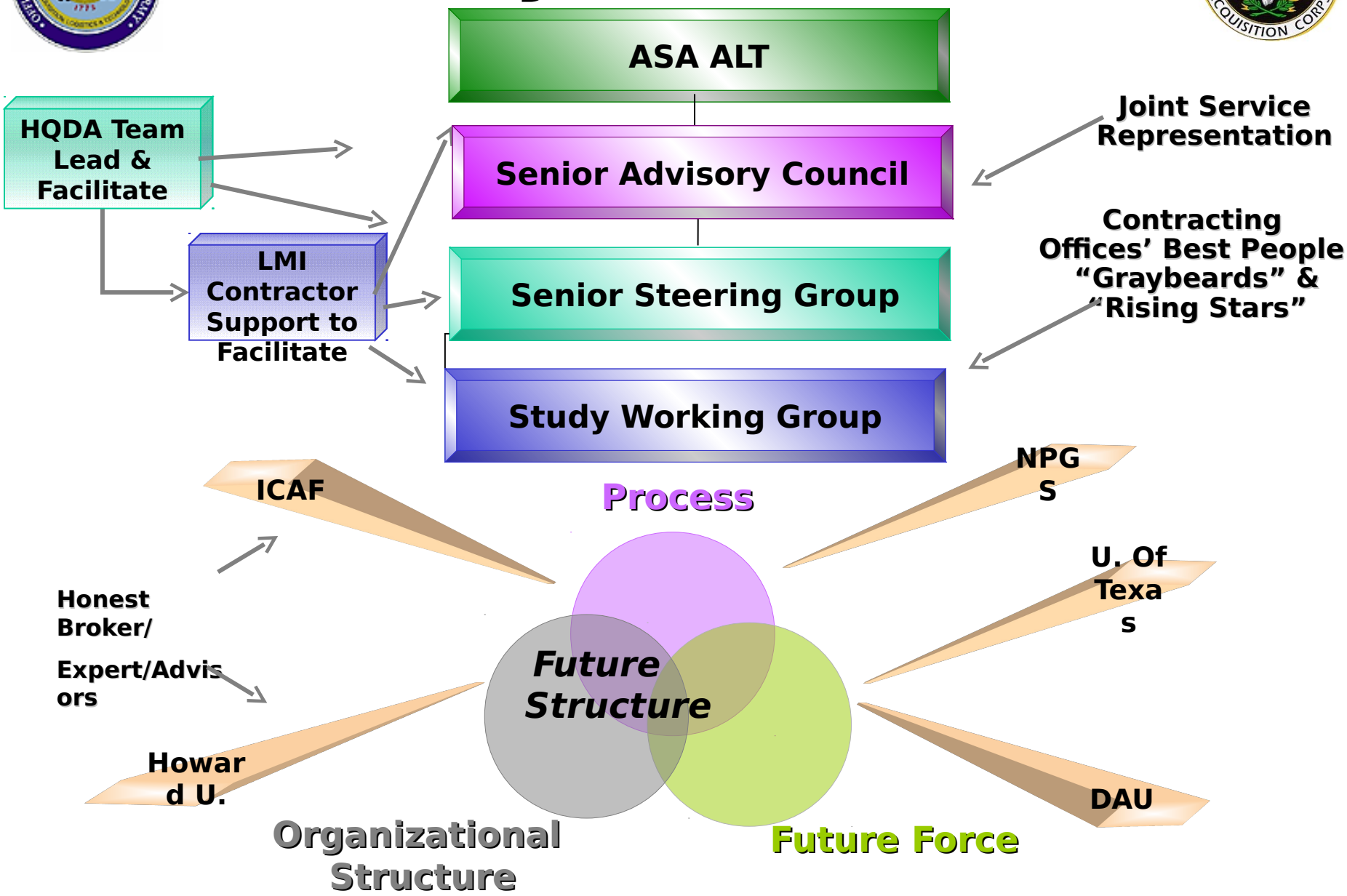
"Our Army at War – Relevant and Ready…Today and Tomorrow"

Mission and Purpose

- Mission — Design a World-Class Procurement and Contracting Organization in Support of All Army Personnel: Active, Reserve, National Guard, and Civilian

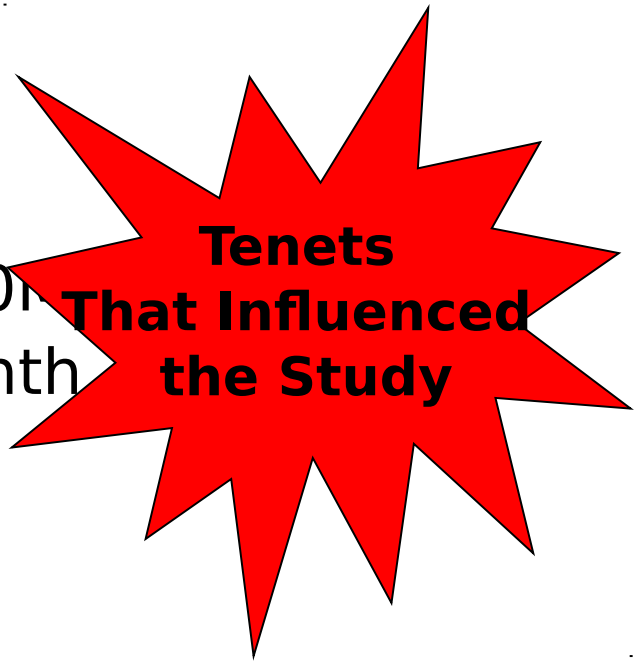
- Purpose
  - Review Current Procurement and Contracting Organizational Structure/Staffing (Military & Civilian)
  - Review Existing Processes
  - Consider Army and Joint Future Forces/Missions
  - Determine Best Organizational Alignment of Procurement and Contracting Within the Army

Study Framework



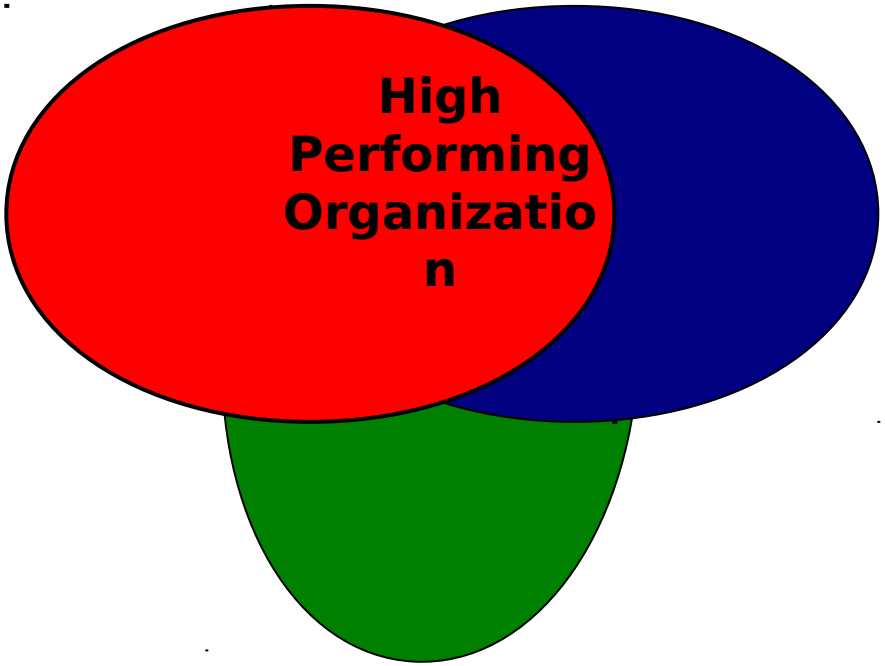
Principal Business Facts

- Support to the Warfighter
  - LOGCAP $15B
  - Iraq Reconstruction $18B
  - Iraqi Armed Forces $50M - $400M
  - Interrogation Services $3M/month
  - Balkans $15M/month
  - Afghanistan $530M
  - $80B requested Jan 05
- Workload $ and Actions
- Workforce Trends (Size & Age)
- Army Modularity (Different World-wide Footprint)
- Transparency to the Customer



We Must Leverage Expertise and Synergies

Business Case for Total Army Solution



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- **Contracting Trends**
- **1102 Workforce Projections**
- **Years of Service**
- **1102 Workforce Profile**
- **Expected Experience Loss**

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Process

- **Standard Contracting Process (w/ Lean Initiatives Highlights)**
- **Business Practice Adjustments**
- **Lean Examples**
- **AMC ALT/PLT Reductions**

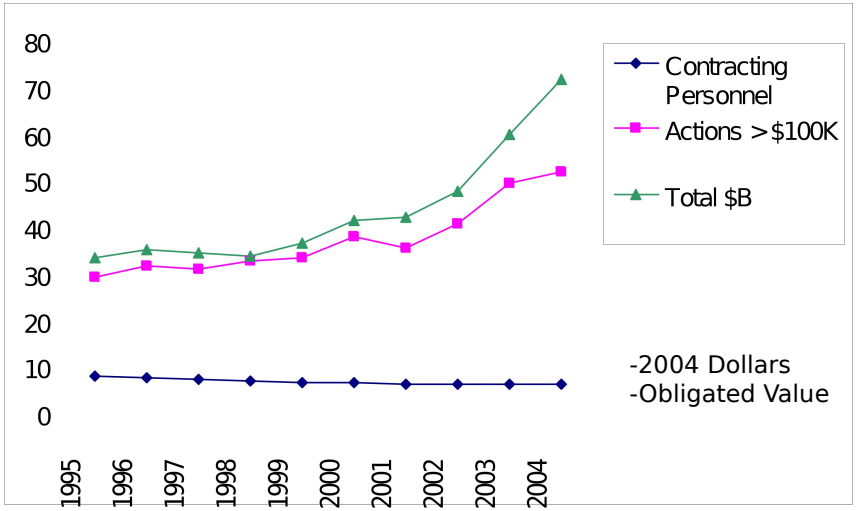
- **Industry Trends**
- **Supply Management/ Private Sector Practices**
- **Opportunities to Leverage Army Purchasing**
- **Fort Hood Maintenance Contracts**

Army Contracting Trends

History

Contracting	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Personnel	7.6	7.4	6.9	6.5	6.2	6.1	5.9	5.9	5.9	5.9
Actions > $100K	28.9	31.4	30.5	32.3	33.2	37.5	35.1	40.4	49.0	51.6
Total $B	33.0	34.9	34.0	33.6	36.0	41.2	41.8	47.3	59.4	71.3

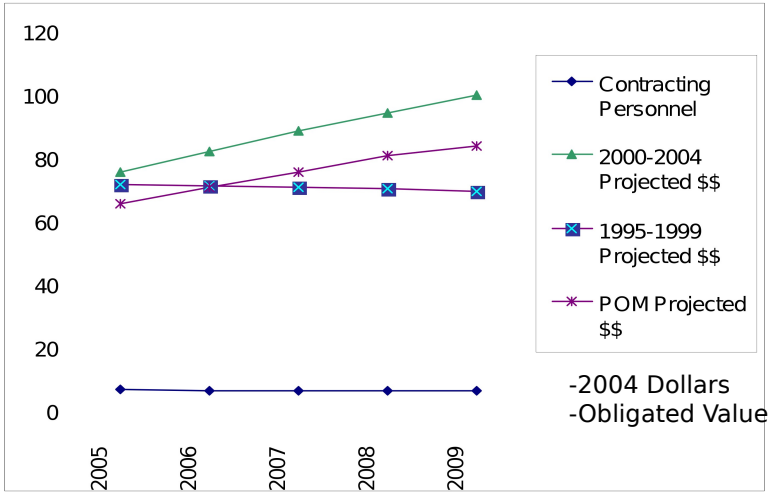
*Personnel in thousands



- **1100 series Workforce declined by 23%**
- **Actions Grew by 80%**
- **$$ Grew by 116%**
- **In 1995, 1 Action = ~$1B; in 2004, 1 Action =~$1.5B**

Future

	2005	2006	2007	2008	2009
Contracting Personnel	5.9	5.8	5.8	5.7	5.7
Actions > $100K	55.4	59.6	63.8	68.0	72.2
2000-2004 Projected $B	74.7	81.4	87.7	93.7	99.3
1995-1999 Projected $B	71.0	70.6	70.0	69.4	68.7
POM Projected $B	65	70.1	75	80	83.1



Assuming the next five years behave as the previous 5 years for contracting and previous 3 years for personnel we can expect:

- **1100 series workforce continues to decline and**
- **Actions and $$ will grow except in the most conservative estimate.**

Does Not Include Supplementals

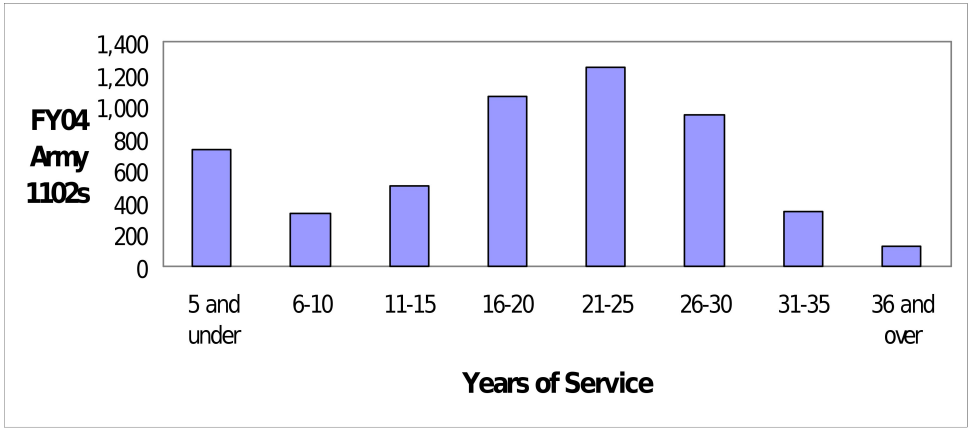
Source: Contract Data- Federal Procurement Data Base Personnel Data- Defense Manpower Data Center Deflators- FY 2005 Army Green Book

Note: Total Contract Value approx $202B

Years of Service

2004

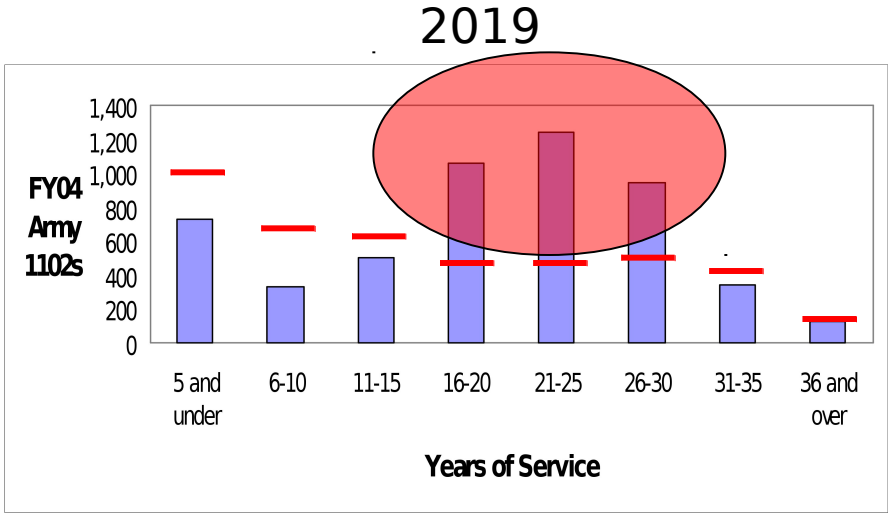
5 and under	6-10	11-15	16-20	21-25	26-30	31-35	36 and over
727	327	502	1054	1236	947	345	120



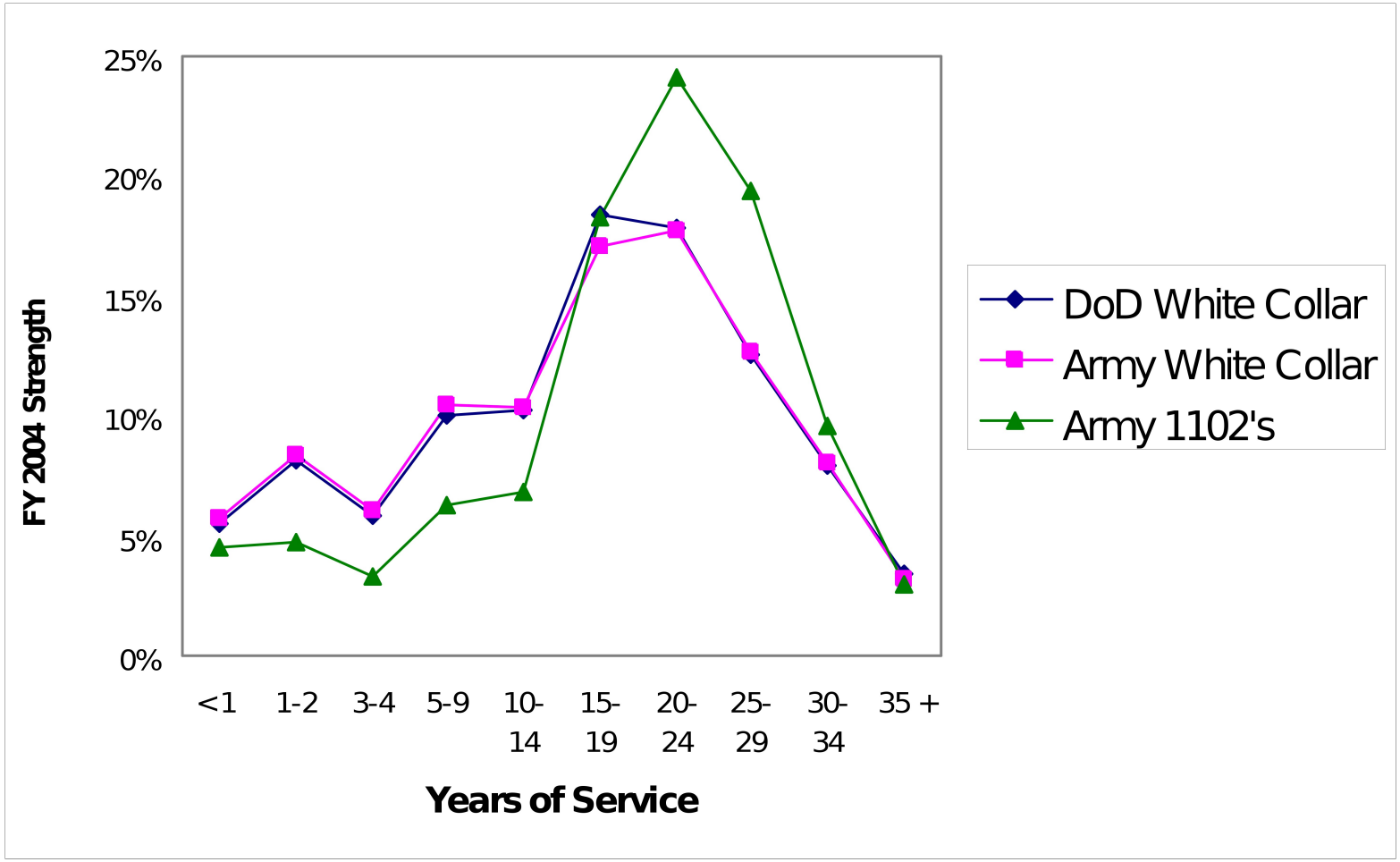
We have leveraged our experience to meet the demands of today…

But our bench is too thin to overcome the expected demands of the future without significant change

2019



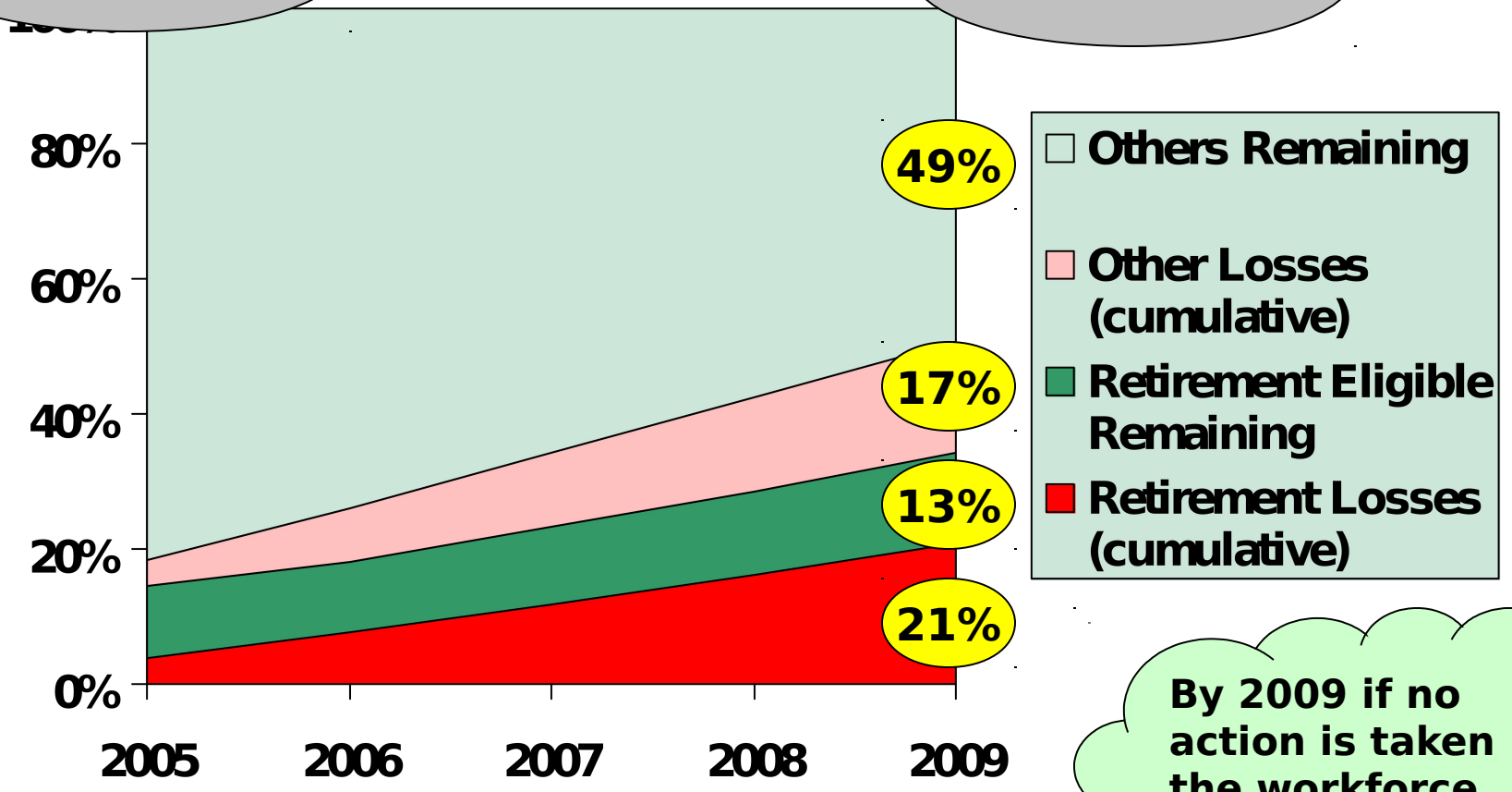
1102 Workforce Profile



FY 2004 1102 Workforce Projected through FY 2009

FY 2004 Size - 5,258

FY 2009 Size - 3292



By 2009 if no action is taken the workforce is projected to lose 38%

Source: Defense Manpower Data Center Retirement loss data from Fed Sc

Standard Contracting Process

Examples of Lean Initiatives

Satisfy Requirement

Performance-Based Statements of Work

Army Single Face to Industry

Best Value Source Selection

Longer term contract vehicles

Army Past Performance Mgmt Info System

Wide Area Work Flow

Expedited Closeout

Customer Req't

Deliver

1 Define Requirements

1.1 Determine Need
1.1.1 Record Funding
1.1.2 Combine Requirements
1.2 Validate Funding
1.2.1 Validate Funding
1.2.2 Validate Funding
1.3 Acquisition Planning
1.3.1 Acquisition Planning
1.3.2 Validate Goals
1.4 Purchase Request
1/4/1 Communicate Purchase Request to BO
1.5 Assigned

2 Market Research

2.1 Follow Order of Req'd Sources
2.1.1 Check Agency Excess Property
2.1.2 Check Federal Excess Property
2.1.3 Check Req'd Sources
2.1.4 Check Federal Supply Sched./ Multiple Award Contracts/GWACs
2.2 Conduct Market Survey
2.2.1 Validate Market Survey Findings
2.3 Issue Sources Sought Notice
2.3.1 Establish Info. Library
2.3.2 Assess

3 Issue

3.1 Post Notice of Contract Action
3.1.1 Post Combined Synopsis/ Solicitation
3.1.2 Process Vendor List
3.2 Modify Synopsis
3.2.1 Amend Combined Synopsis/ Solicitation
3.3 Pre Solicitation Process
3.3.1 Develop Criteria/Plan
3.3.2 Build Solicitation
3.3.3 Pre-Solicitation Contact with Potential Offerors
3.4 Solicit. Process
3.4.1 Issue Solicitation
3.4.2 Solicitation inquiries

4 Evaluate Responses

4.1 Receive Response
4.2 Conduct Initial Evaluation
4.3 Evaluate Business Proposal
4.4 Evaluate Technical Proposal
4.4.1 Evaluate Past Performance
4.5 Request Clarifications
4.6 Determine Competitive Range
4.6.1 Notify exclusions & Perform Pre-Award Debriefing
4.7 Address Pre-Award Protests
4.8 Communications w/Offerers
4.8.1 Receive Solicit. Response
4.8.2 Evaluation of Proposal Revisions
4.8.2.1 Evaluate Revised Business Proposal
4.8.2.2 Evaluate Revised Technical Proposal
4.8.3 Conclusion of Exchanges
4.8.4 Receipt of Final Proposal Revisions

5 Issue Award

5.1 Verify Funds Availability
5.2 Prepare Award
5.3 Prepare Management Award Info
5.4 Issue Award Notices
5.5 Distribute Award Document
5.6 Perform Post Award Debriefing
5.7 Address Post-Award Protest

6 Monitor Performance/ Contract Admin

6.1 Conduct Post-Award Orientation
6.2 Issue Notice to Proceed
6.3 Monitor Performance
6.3.1 Inspect Goods and/or Services
6.3.2 Accept Goods and/or Services
6.3.3 Manage Property
6.4 Process Contract Changes
6.4.1 Verify Funding
6.4.2 Prep. Mgmt Awd Info
6.4.3 Issue Novation Agreements
6.5 Assignment of Claims

7 Approve Payment

7.1 Receive Invoice
7.2 Submit Invoice to Finance Office
7.3 Match Invoice to Receiving Report & Obligating Document

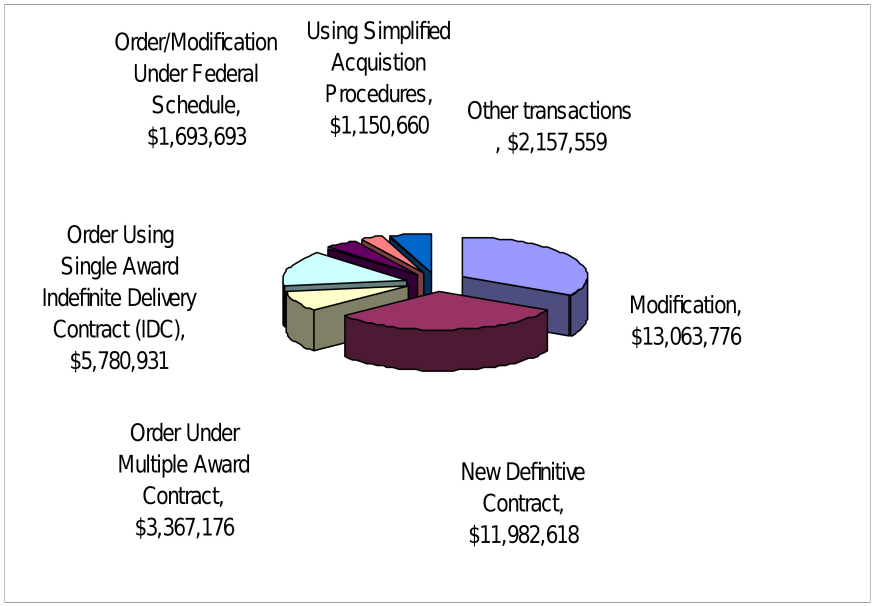
8 Pay Vendor

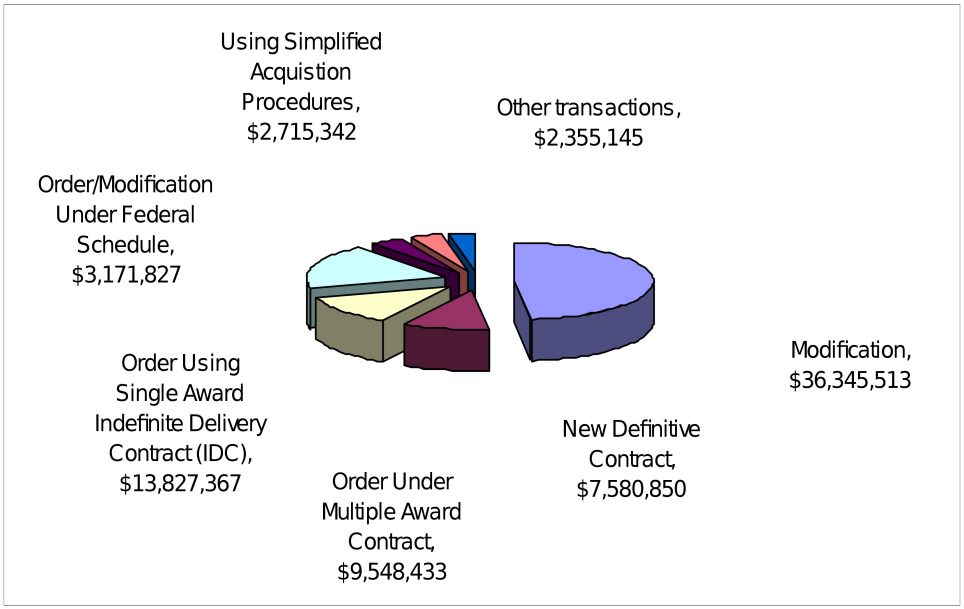
8.1 Receive Approved Invoice
8.2 Ensure Availability of Funds
8.3 Look-up EFT Info
8.4 Process Payment
8.4.1 Verify Off-sets
8.4.2 Transfer Funds

9 Close Out

9.1 Certify All Work Has Been Completed
9.2 Settle Any Claims
9.3 Issue Final Past Performance Evaluation
9.4 Pay Final Invoice
9.5 Maintain Archival Contract Files
9.6 Issue Closeout Modification

Closing the Gap (Leveraging Existing Processes)


Order/Modification Under Federal Schedule, $1,693,693
Using Simplified Acquistion Procedures, $1,150,660
Other transactions , $2,157,559
Order Using Single Award Indefinite Delivery Contract (IDC), $5,780,931
Modification, $13,063,776
Order Under Multiple Award Contract, $3,367,176
New Definitive Contract, $11,982,618


Using Simplified Acquistion Procedures, $2,715,342
Other transactions, $2,355,145
Order/Modification Under Federal Schedule, $3,171,827
Order Using Single Award Indefinite Delivery Contract (IDC), $13,827,367
Modification, $36,345,513
New Definitive Contract, $7,580,850
Order Under Multiple Award Contract, $9,548,433

Since 2000, Dollars up 92% Actions up 40%

How we have managed:
- **More multiple awards**
- **More IDIQs**
- **More GSA schedules**
- **More Simplified Acquisitions Procedure Actions**

Source: FPDS

Army Contracting Organization

SECRETARY OF THE ARMY

Assistant Secretary of the Army Acq, Log and Tech

Deputy Assist Secretary of the Army Policy and Procurement

Other Total $23B/153K/1833

AMC Total $42B/64K/2148

AMC + ACA = 53B/212K/3866

11B/148K/1718

HQ Army Materiel Command (AMC)

HQ Army Contracting Agency (ACA)

Program Manager Saudi Arabian National Guard

ACA Northern Region

ACA Southern Region

Information Technology E-Commerce & Commercial Contract Center

Iraq

HCA Estab 19 Jun

$5.8B/3K/35

Total Apportioned to date (DOS,DOD, USAID, etc) is $12.8B.

U.S. Army Medical Research & Materiel Command

U.S. Army Corps of Engineers

National Guard Bureau

Surface Deployment & Distribution Command

U.S. Army Intelligence & Security Command

Defense Contracting Command - Washington

U.S. Army Space & Missile Defense Command

U.S. Army Medical Command

U.S. Army Aviation & Missile Command

U.S. Army Communications-Electronics Command

U.S. Army Field Support Command

Research Development Engineering Command

U.S. Army Tank-Automotive & Armaments Command

Army Contracting Command, Europe

Army Contracting Command, Korea

Army Contracting Command, Southwest Asia

Army Contracting Element, Pacific

Army Contracting Agency Americas

FY 04 Totals: $76B, 365K actions, 5699 people (110 military &

Supply Management Private Sector Practices

- **Howard University: Corporate**
  - Analyzed 16 “best in class” leaders in supply management field
  - Analysis indicated marked shift from decentralized purchase operations
  - Private Sector increasing centralization to leverage resources

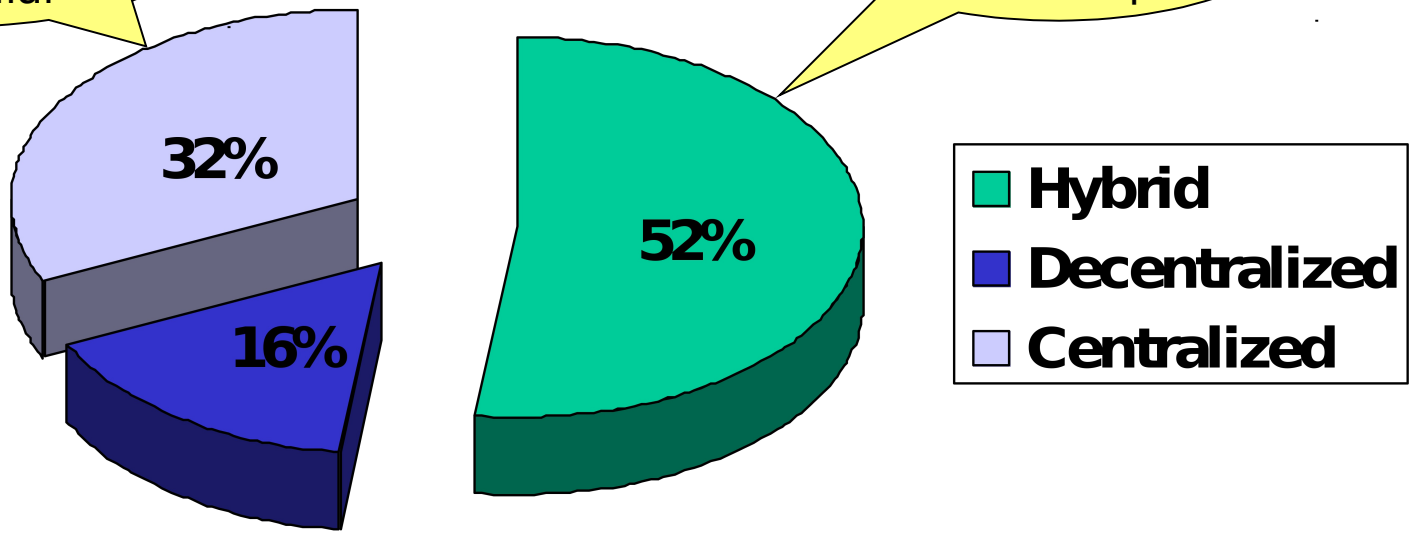
- **Aberdeen Group: Supply Mgmt in the Public Sector**
  - Analysis indicated adopting private sector practices could improve public sector
  - Major policy changes in 90s, more required
  - Emulate private sector strategies: Analyze, plan, source, buy, and monitor
  - Assess procurement competency: Organization, Process, Knowledge, Technology and Spend
  - Measure performance & improve: Qualitative - cost savings, compliance rates, cycle time, reductions and spend -- Quantitative - service levels and customer satisfaction
- **RAND (Draft): Using Spend Analysis – Help Army Purchasing Initiatives**
  - Purchasing and supply management (PSM) 59% of Army budget
  - Analysis indicated strategic sourcing opportunity not currently maximized
  - Opportunity to leverage total Army purchases across commodities and move towards centralized contracting organizations.

Public Sector PSM Practices Lagging behind Private Sector

Industry Trends

Centralized Examples: HP, 3M, Caterpillar

Hybrid Examples: Motorola, Boeing Home Depot



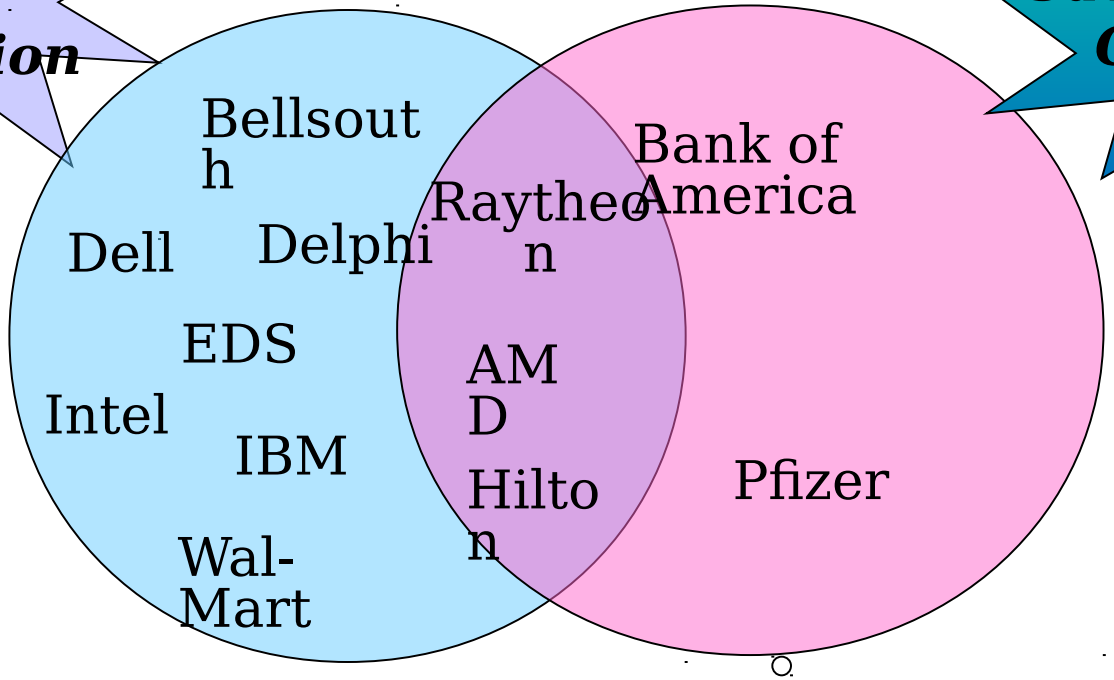
Future Trends Toward Hybrid

Source: RAND Paper "Centralization Vs. Decentralization of Indirect Spending: A Review of Practices" (2005)

Industry Trends

Future Trends Toward Centralization

Savings to the Customer

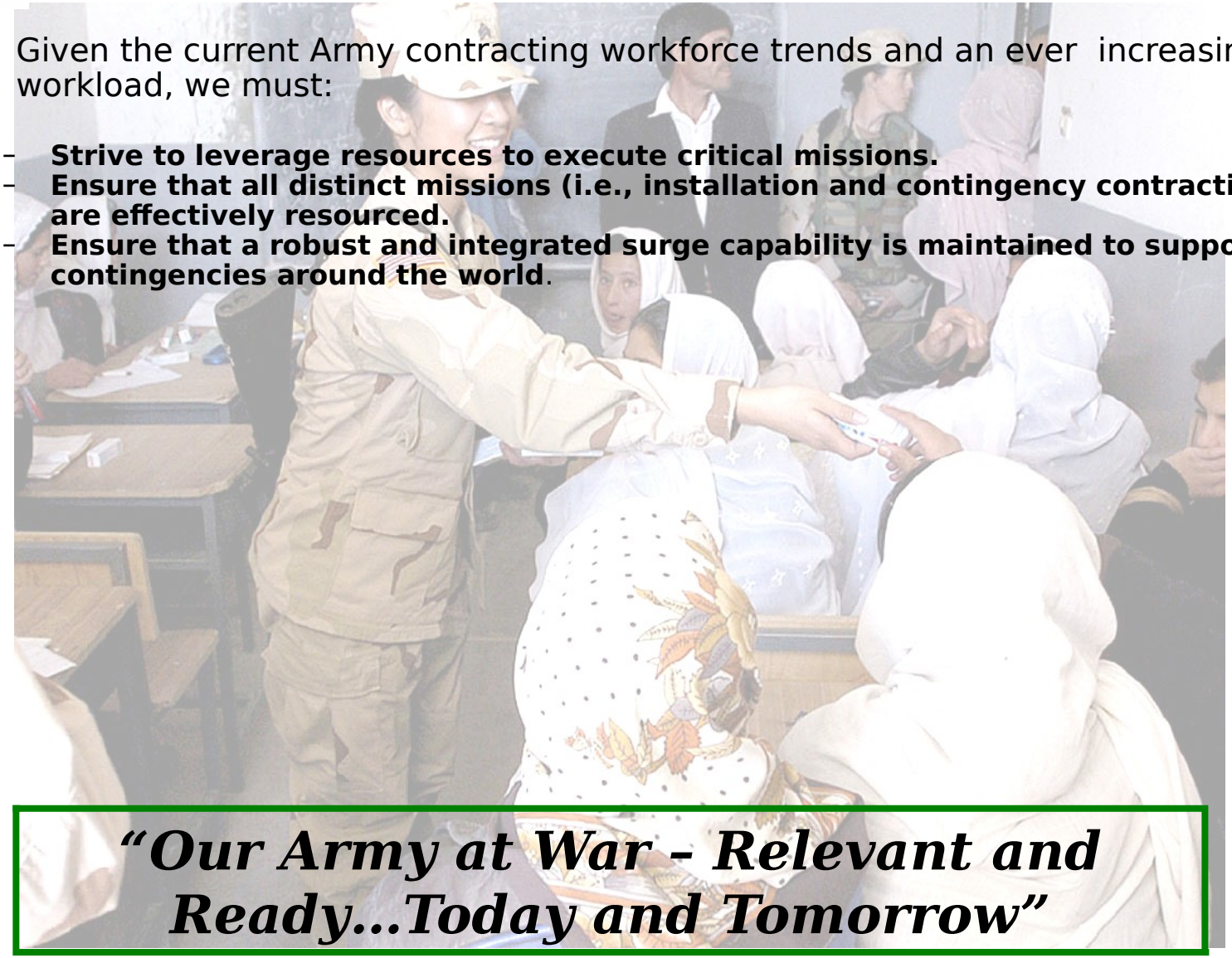


All companies use Commodity Teams

Source: Howard University

Next Steps

- Given the current Army contracting workforce trends and an ever increasing workload, we must:
  - **Strive to leverage resources to execute critical missions.**
  - **Ensure that all distinct missions (i.e., installation and contingency contracting) are effectively resourced.**
  - **Ensure that a robust and integrated surge capability is maintained to support contingencies around the world**.



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Conclusion

- Business Side of Soldier Support Must be Relevant and Ready Today & Tomorrow
- Senior Leader Engagement is Critical
- Bottom Line: Magnitude of Change Means Getting it Right

"Our Army at War – Relevant and Ready…Today and Tomorrow"

Questions
&
Comments?